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STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

March 24, 2006

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.: 06HD-064

HAWAII

Conveyance By Land Patent Grant of Addition to Hilo Medical Center, Hawaii
Health Systems Corporation, Piihonua, South Hilo, Hawaii
Tax Map Key: (3) 2-3-032: portion of 001

APPLICANT:

HAWAII HEALTH SYSTEMS CORPORATION (HHSC), a public body corporation
and politic and an instrumentality and agency of the State whose business and mailing
address is 190 Waianuenue Avenue, Hilo HI 96720.

LEGAL REFERENCE:

Section 171-13 & 95(1), Hawaii Revised Statutes (HRS), as amended.

LOCATION:

Portion of Government lands situated at Piihonua, South Hilo, Hawaii, identified by Tax
Map Key: (3) 2-3-032: portion of 001, as shown on the attached map labeled Exhibit A.

AREA:

10 acres, more or less, exact acreage to be determined by survey.

ZONING:

State Land Use District: Urban
County of Hawaii Zoning: Single Family Residential (RS-10)

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admissions Act.

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CURRENT USE STATUS:

The subject parcel is currently encumbered by Revocable Permit No. S-7377 to Ernest Pung for pasture purposes. However, the proposed area to be conveyed is outside of the areas fenced for grazing and will not impact the permittee.

The subject parcel is subject to an access and utility easement (LOD 13,967) to Mr. Richard Henderson dated November 8, 1956.

Since 1994, the Hilo Medical Center has been using a portion of the property for a temporary gravel parking area for employees. See Remarks section for details.

PURPOSE:

For employee and public parking purposes in connection with surrounding medical facilities.

CONSIDERATION:

Gratis.

CHAPTER 343-ENVIROMENTAL ASSESSMENT:

The Final Environmental Assessment for the subject project was published in OEQC's Environmental Notice on January 8, 2006 with a Finding of No Significant Impact (FONSI).

APPLICANT REQUIREMENTS:

Applicant shall be required to:

1. Process and obtain subdivision at Applicant's own cost;
2. Provide two minimum 60-foot wide easements through the subject area, meeting with the approval of Land Division of DLNR, to provide access to State Lands to the south of subject area; and
3. Pay the amount of \$16,447.60 representing the consideration for its use of the property since June 17, 1997.

REMARKS:

Act 262, SLH 1996 created the Hawaii Health Systems Corporation (HHSC) for the purpose of operating the community hospitals statewide. It is a State public benefit corporation and assumed the assets and liabilities of the Department of Health, Division of Community Hospitals on November 30, 1996. Under the Act, HHSC was given the authority to control its own assets. Hilo Medical Center is owned and operated by the HHSC.

The lands under HHSC ownership, including the Hilo Medical Center, were approved for transfer to HHSC by way of fee simple conveyance by the Board of Land and Natural Resources in 1998.

Hilo Medical Center has requested the fee simple conveyance of the subject area consistent with their other properties to allow for the expansion of the existing visitor and employee parking area on the south side of Waianuenue Avenue. The parking expansion would primarily serve HMC visitors and employees, but would also function as overflow parking for the State Veterans Home and the possible expansion of the Hawaii Pacific Oncology Center. The additional area will accommodate 450 to 520 parking spaces when fully completed. Staff has attached an aerial photo of the area as Exhibit B.

Although staff cannot determine how and under what authority, the Dept. of Health created a graveled temporary employee parking area on the subject property prior to 1993. In late 1993, the Dept. of Health requested an expansion of the subject gravel parking area. In January 1994, the request was circulated to various government agencies for comment. In June 1994, without any Board approval, the District Land Agent at that time issued a Right-of-Entry for the Dept. of Health to expand the existing temporary gravel employee parking area for a period of three (3) years.

In December 1997, the Dept. of Health contacted then District Land Agent, Charlene Unoki, due to the expiration of the Right-of-Entry in June of that year. They were immediately notified that the use was inappropriate under a Right-of-Entry and that a submittal for a revocable permit would be submitted to the Board of Land and Natural Resources.

At its meeting of January 30, 1998, under Agenda Item D-7, the Board approved the issuance of a revocable permit to the Hilo Medical Center for an employee parking lot. The approval was subject to a monthly rent to be determined by staff appraiser. In April 1998, the staff appraiser determined the rent to be \$156 per month and such rent was accepted by the Hilo Medical Center as evidenced by their acknowledgement attached as Exhibit C. At its meeting of August 28, 1998, the Board amended that prior action by correcting the name of the Applicant from Hilo Medical Center to Hawaii Health Systems Corporation.

A revocable permit document was sent to HHSC in November 1998 with rent to be owed beginning June 17, 1997, but no document or rent was ever received. Assuming that the Board never changed the rental rate under the revocable permit, HHSC would currently owe approximately \$16,447.60 as of the end of March 2006. HHSC is requesting a waiver from the foregoing rent due to their public purpose. Staff is recommending that HHSC be required to pay the amount that would be owed under the revocable permit and will defer to the Board's discretion to amend the submittal should it feel appropriate to waive the rent.

In early 2004, HHSC approached staff regarding another expansion of the employee parking area. Due to the pending construction of the State Veteran's Home and increasing parking demands of the Hilo Medical Center, HHSC indicated plans to pursue actual permanent construction of a formal expanded paved parking area in lieu of the temporary graveled parking area.

Concurrently, staff was approached by Hospice of Hilo, Hawaii Adult Day Care and Adult Rehabilitation Center of Hilo with interest on additional land requirements in the area. Given that the agencies were all non-profit health related organizations, staff suggested that they get together with HHSC on master planned campus type of subdivision of the entire area. With the help of the County's Deputy Planning Director, HHSC, the various non-profits and staff met numerous times in such an effort. Due to timing, funding and topographical challenges of the property, the effort failed. Hospice of Hilo is working on a location in the proximity of the University of Hawaii at Hilo, ARC of Hilo is working on an expansion of their facility in their current location and Hawaii Adult Day Care is working on a location just above the Hilo Medical Center.

Although staff has no objections to HHSC's request, staff is concerned about the State's remaining land holdings in the rear of the planned parking expansion. The expansion continues to develop lands along the frontage of Waianuenue Avenue with remaining State lands being left with Land Division in the rear. Staff wants to insure that there are allowances for adequate access to its remaining lands to accommodate future uses. As a result, staff has recommended that there be two 60-foot wide easements retained through the planned HHSC parking area to provide flexibility for a County standard road to the rear of the parking area if needed. One of the two easements would overlay an existing easement encumbrance for a private access and utility easement along the eastern boundary of the proposed parking area. The second 60-foot easement would be towards the opposite western boundary, the exact alignment would be subject to DLNR approval of the final parking lot design. A conceptual plan of the proposed parking area is attached as Exhibit D.

In that there never appeared to be any original compliance with Chapter 343, HRS and the intent of HHSC to develop an expanded permanent paved parking area, staff requested that HHSC comply with Chapter 343, HRS requirements. The Final Environmental Assessment for the subject project was published in OEQC's Environmental Notice on

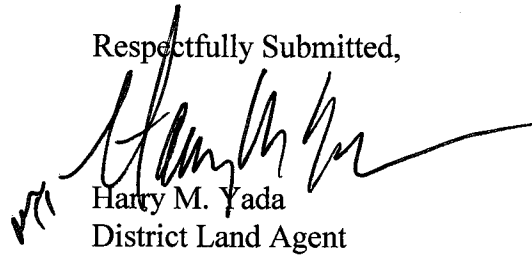
January 8, 2006 with a Finding of No significant Impact (FONSI). Due to the Chapter 343, HRS compliance, no additional agency or community input was solicited prior to the submittal.

RECOMMENDATION: That the Board:

1. Subject to the Applicant fulfilling all of the Applicant requirements listed above, authorize the fee simple conveyance by land patent grant of an approximate 10-acre portion of TMK: 2-3-032: 001 to HHSC, under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - A. The restricted use of the property shall be for employee and public parking purposes in connection with surrounding medical facilities;
 - B. HHSC shall secure final subdivision approval for the approximately 10-acre area required for the proposed parking expansion, final map shall be subject to the approval of the Chairperson;
 - C. Legislative disapproval by two-thirds vote of either the senate or house of representatives, or by a majority vote of both, in any regular or special session next following the date of the executive order;
 - D. The grant shall contain a reverter clause requiring that should the property be used for purposes other than that specified, the property shall revert to the Department of Land and Natural Resources;
 - E. The grant shall contain a prohibition on any sale of the whole or any portion of the property;
 - F. The grant shall contain a prohibition of any leasing of the whole or portion of the property without the consent of the Board of Land and Natural Resources;
 - G. Review and approval by the Department of the Attorney General; and
 - H. Such other terms and conditions as may be prescribed by the Chairperson.
2. Subject to the Applicant fulfilling all of the Applicant requirements listed above, grant an immediate right of entry to HHSC to allow planning and construction of the parking lot and related improvements, subject further to the following:
 - A. The standard terms and conditions of the most current right-of-entry form, as may be amended from time to time and as may be modified for this specific action;

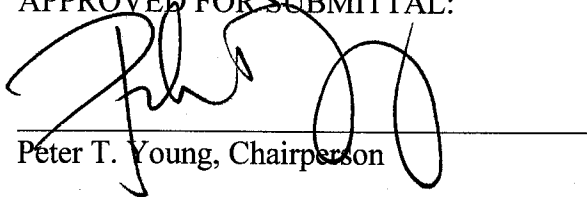
- B. The term of the Right-of-Entry shall commence upon the date of the Board's approval and terminate upon the complete execution of the Land Patent Grant;
- C. Any physical alteration of land or construction of improvements prior to the execution of the Land Patent Grant shall be first approved by the Chairperson;
- D. Review and approval by the Department of the Attorney General; and
- E. Such other terms and conditions as may be prescribed by the Chairperson

Respectfully Submitted,

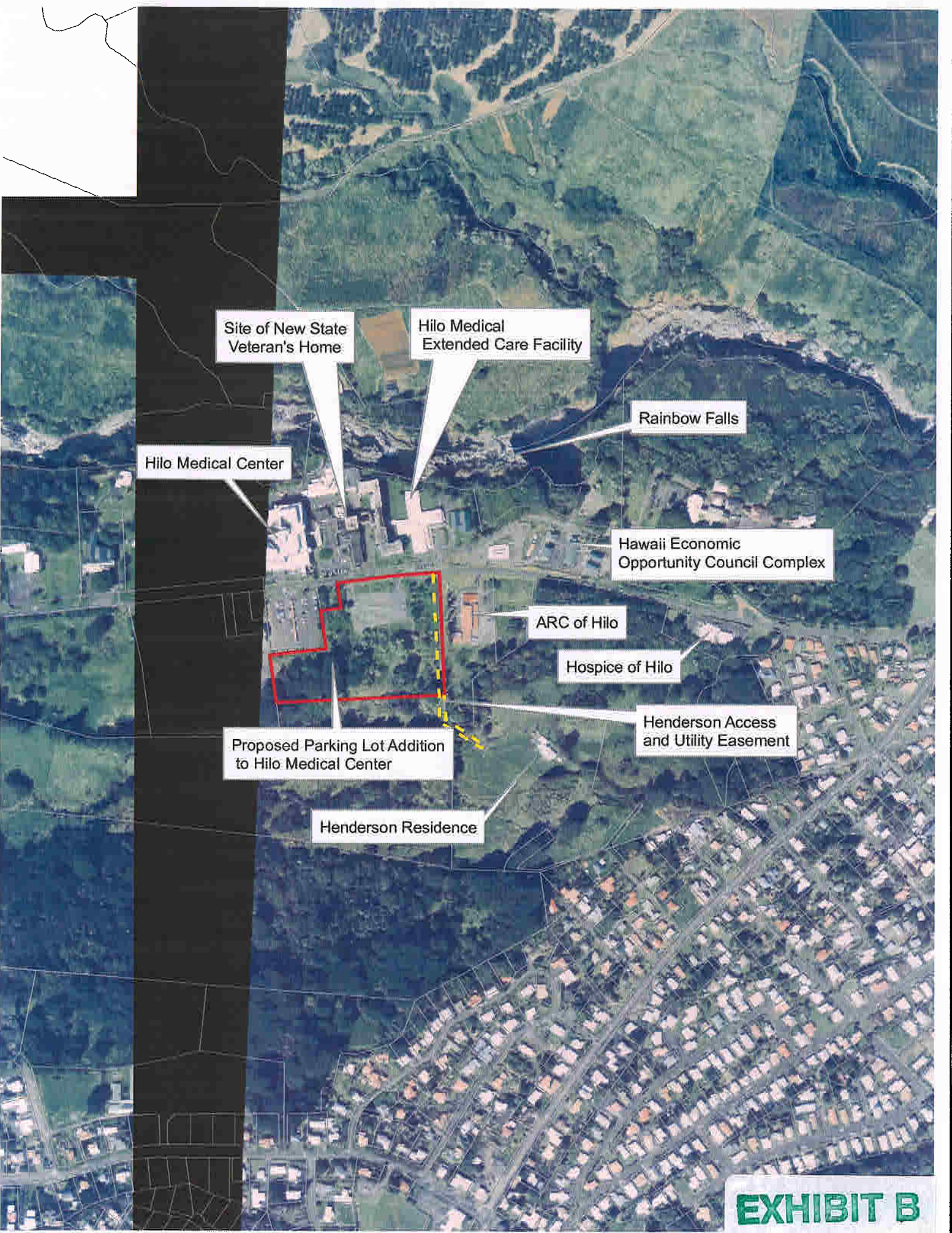


Harry M. Yada
District Land Agent

APPROVED FOR SUBMITTAL:



Peter T. Young, Chairperson



Site of New State
Veteran's Home

Hilo Medical
Extended Care Facility

Rainbow Falls

Hilo Medical Center

Hawaii Economic
Opportunity Council Complex

ARC of Hilo

Hospice of Hilo

Henderson Access
and Utility Easement

Proposed Parking Lot Addition
to Hilo Medical Center

Henderson Residence

BENJAMIN J. CAYETANO
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
DIVISION OF LAND MANAGEMENT

P.O. BOX 936
HILO, HAWAII 96721-0936

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HILO MEDICAL CENTER

April 23, 1998

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DIVISION OF
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HILO, HAWAII

MAY 7 3 18 PM '98

Hilo Medical Center
1190 Waiianuenue Avenue
Hilo, Hawaii 96720

SUBJECT: Pending Revocable Permit at Piihonua, Hawaii, tax map
key: (3) 2-3-32-portion 1.

Attention: Gerald Nagata

Gentlemen:

The Land Board at its meeting of January 30, 1998, Item D-7, approved the issuance of a month-to-month revocable permit for employee parking lot purposes.

The staff appraiser has reviewed the pertinent facts, and has determined the monthly rental to be \$156.00 per month. If this is agreeable to you, we will forward the permit document for your signature. If this is unacceptable, please let us know by May 15, 1998, so we can close our file.

Should you have any questions, please call our office at 974-6203.

Sincerely,

Charlene E. Unoki

Accepts

Rejects

cc: Hawaii BM
Support Services

EXHIBIT C

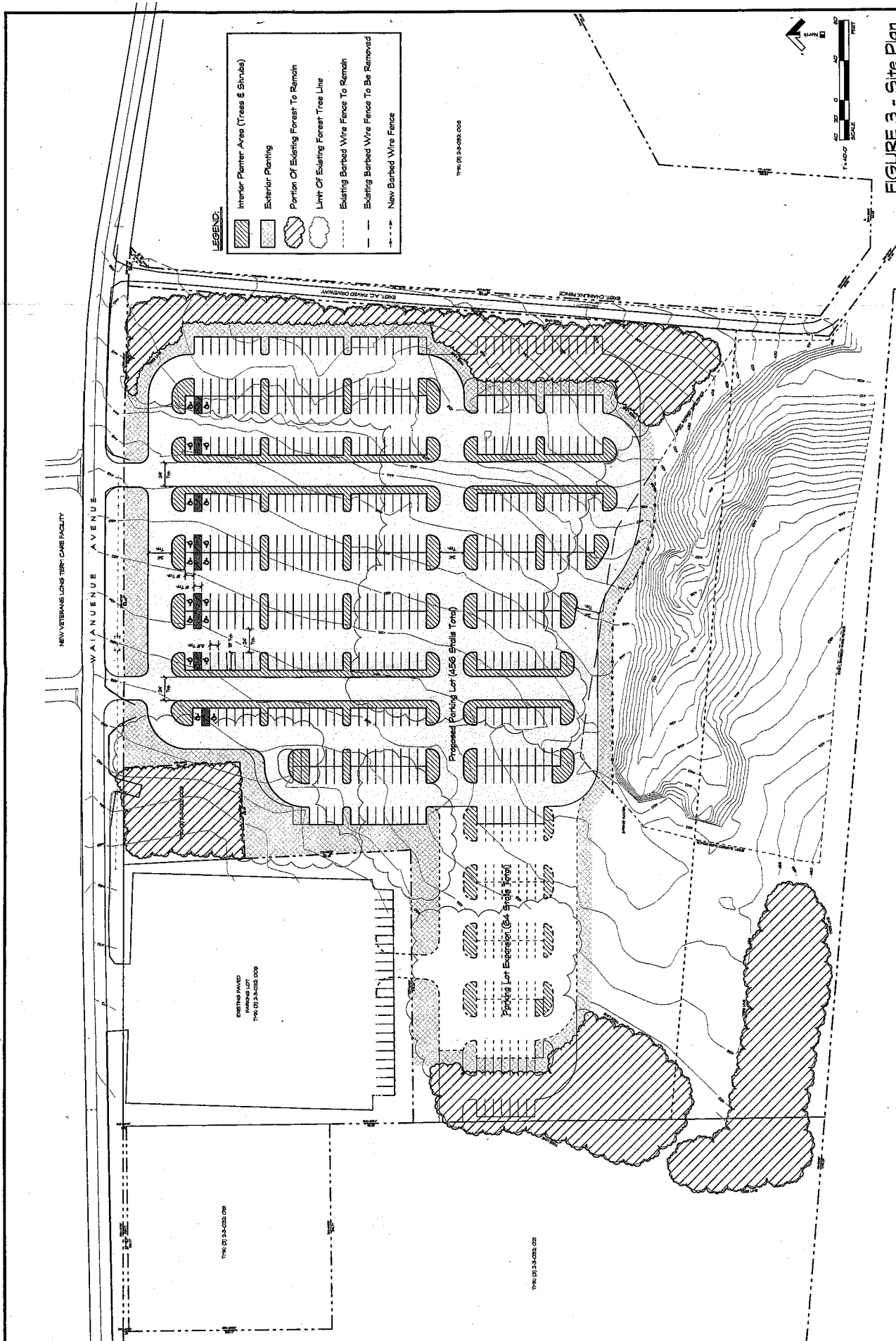


FIGURE 3 - Site Plan